



Mortimer B. Fuller, III
Chairman and Chief Executive Officer

July 17, 2006

VIA FACSIMILE

Mr. W. Douglas Buttrey
The Surface Transportation Board
Washington, D.C. 20423-0001

Dear Chairman Buttrey:

I am responding to your letter of June 28, 2006 in regard to future service demands.

While we and our customers have been affected from time to time by congestion elsewhere in the rail system, we have not experienced and do not expect to experience material capacity constraints on our lines because of their light traffic density. In addition, when we reported our carloadings for the second quarter of 2006, we reported a decline in carloads on a same store basis. Although certain of these declines were due to one-time events, there were also declines in lumber traffic due to the slow down in housing and declines in pulp and paper traffic due to customers' shifting shipping patterns and transportation modes in response to higher freight rates. Regardless of the reasons, we generally have greater capacity this year than last. Our only railroad experiencing intermittent capacity problems is the Meridian & Bigbee ("M&B"), which operates between Meridian, Mississippi and Montgomery, Alabama. The M&B issues are a result of the M&B working with KCS and CSX to route their traffic over the M&B under a haulage agreement. While this new routing will improve capacity, velocity and customer service, we are spending \$4 million to improve the track structure of the M&B to handle the added business.

Elsewhere, we are working together with the BNSF to improve their velocity in Oregon and Utah by adding service to our Portland & Western Railroad Inc. and our Utah Railway Inc. In all regions where we operate, our railcar fleet is adequate and our customers informed of our current operating conditions.



If you have any further questions, please advise. Thank you for your interest.

Very truly yours,

A handwritten signature in cursive script, reading 'Mortimer B. Fuller'.

Mortimer B. Fuller
Chief Executive Officer